

ELLIS COUNTY CONSERVATION DISTRICT

Financial Statement With Independent Auditors' Report

For the Year Ended December 31, 2012

ELLIS COUNTY CONSERVATION DISTRICT
Financial Statement With Independent Auditors' Report
For the Year Ended December 31, 2012

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Regulatory–Required Supplementary Information

Schedule 1 – Schedule of Receipts and Expenditures – Regulatory Basis
Individually presented by fund

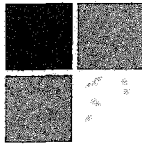
Governmental Type Fund

General Fund

1-1 Operations Fund	9
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Business Fund

1-2 Enterprise Fund	10
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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Ellis County Conservation District
Hays, Kansas

We have audited the accompanying summary statement of regulatory basis receipts, expenditures, and unencumbered cash of **Ellis County Conservation District**, as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by **Ellis County Conservation District** to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting

principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

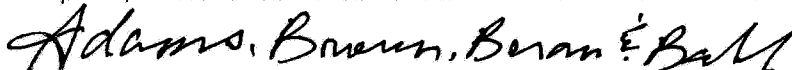
In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to in the first paragraph does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of **Ellis County Conservation District** as of December 31, 2012, or the changes in its financial position and cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **Ellis County Conservation District** as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* as described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures and unencumbered cash (basic financial statement) as a whole. The individual fund schedules of receipts and expenditures (Schedule 1 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement; however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.


ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

October 09, 2013

ELLIS COUNTY CONSERVATION DISTRICT
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Fund							
Operations Fund	\$ 14,513	-	102,158	105,741	10,930	5,040	15,970
Business Funds							
Enterprise Fund	320,344	-	242,940	233,183	330,101	5,356	335,458
Total Reporting Entity	<u>\$ 334,857</u>	<u>-</u>	<u>345,098</u>	<u>338,924</u>	<u>341,031</u>	<u>10,396</u>	<u>351,427</u>
Composition of Cash							
						Checking Accounts	\$ 211,239
						Certificates of Deposit	<u>140,188</u>
Total Reporting Entity							<u>\$ 351,427</u>

The notes to the financial statement are an integral part of this statement.

ELLIS COUNTY CONSERVATION DISTRICT
Notes to Financial Statement
December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ellis County Conservation District has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statement is presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Financial Reporting Entity

The District is a municipal corporation governed by an elected five-member board. A related municipal entity is an entity established to benefit the District and/or its constituents. The District has no related municipal entities.

Basis of Presentation – Fund Accounting

The accounts of the District are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of the District for the year ended December 31, 2012.

Regulatory Basis Fund Types

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Business Fund – fund financed in whole or in part by fees charged to users of the goods or services.

Basis of Accounting

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

ELLIS COUNTY CONSERVATION DISTRICT

Notes to Financial Statement

December 31, 2012

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statement. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, and temporary notes are not presented in the financial statement.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts.

Reimbursements

The District records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – BUDGETARY INFORMATION

The District is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

ELLIS COUNTY CONSERVATION DISTRICT

Notes to Financial Statement

December 31, 2012

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not use "peak periods". All deposits were legally secured at December 31, 2012.

At December 31, 2012, the District's carrying amount of deposits was \$351,427 and the bank balance was \$354,844. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, all was covered by federal depository insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The District had no investments at December 31, 2012.

NOTE 4 – LITIGATION

Ellis County Conservation District is a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the District.

NOTE 5 – RISK MANAGEMENT

Ellis County Conservation District carries commercial insurance for risks of loss, including property, general liability, workers compensation, and fidelity bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

ELLIS COUNTY CONSERVATION DISTRICT
Notes to Financial Statement
December 31, 2012

NOTE 6 – GRANTS AND SHARED REVENUES

Ellis County Conservation District participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 7 – OPERATING LEASE

Ellis County Conservation District entered into a lease agreement with the United States of America for the lease of a portion of the building located at 2715 Canterbury Drive, Hays, Kansas. The lease is currently a month-by-month lease for \$5,687 per month.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description

Ellis County Conservation District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, **Ellis County Conservation District** allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of

ELLIS COUNTY CONSERVATION DISTRICT
Notes to Financial Statement
December 31, 2012

premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

NOTE 10 – COMPENSATED ABSENCES

Annual Leave

After 90 days of employment with the District, annual leave is granted on the basis of 4 hours per month for all employees. For the first year of employment, annual leave can be accumulated up to 40 hours. Beginning with the second year of employment, an employee will receive 40 hours of annual leave in addition to the four hours per month and may accumulate up to 80 hours. Beginning with the third year of employment and each year thereafter, non-manager employees will receive 80 hours of annual leave and may accumulate those 80 hours. Managers will earn an additional half day of annual leave per month and may accumulate up to 120 hours. The potential liability for annual leave at December 31, 2012 was \$2,884. This is reflected in the financial statement.

Sick Leave

Sick leave is granted on the basis of 8 hours per month up to a maximum of 120 hours for non-manager employees and 240 hours for managers. Sick leave may not be taken in advance of earned accrual. Accumulated sick leave will not be paid out when employment with the District ends.

ELLIS COUNTY CONSERVATION DISTRICT

Operations Fund

Schedule of Receipts and Expenditures

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Appropriations - County	\$ 75,125	75,125
Appropriations - State	24,484	24,281
Refunds and Reimbursements	129	1,852
Division of Conservation Grant	1,115	900
Transfer In	800	-
Total Cash Receipts	101,653	102,158
Expenditures		
Salaries and Payroll Taxes	83,103	84,373
Supervisors and Staff Expense	5,897	1,707
Dues and Memberships	1,153	1,713
Operating Expenses	9,449	7,114
Annual Meeting and Awards	463	629
County Cost Share Program	12,360	8,941
Information and Education	1,590	1,264
Equipment Purchases	14,270	-
Total Expenditures	128,285	105,741
Cash Receipts Over (Under) Expenditures	(26,632)	(3,583)
Unencumbered Cash - Beginning	41,145	14,513
Unencumbered Cash - Ending	\$ 14,513	10,930

ELLIS COUNTY CONSERVATION DISTRICT

Enterprise Fund

Schedule of Receipts and Expenditures

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest Income	\$ 2,332	1,801
Retail Sales and Services	182,167	112,935
No-till Drill Rent	15,109	18,542
District Building Rent	68,249	68,249
Annual Meeting Sponsors	2,575	2,125
Refunds and Reimbursements	449	-
KACD/KACEE Grant	445	-
WRAPS Reimbursements	-	35,709
Insurance Proceeds	18,256	3,579
Total Cash Receipts	289,582	242,940
Expenditures		
Supervisors and Staff Expense	4,105	7,887
Operating Expenses	1,676	6,163
Annual Meeting and Awards	5,382	4,747
Information and Education	2,120	1,969
Equipment Maintenance	9,776	2,315
Equipment Purchases	14,270	-
Building Maintenance and Remodeling	31,987	28,840
Grass Seed, Weed Barrier, Flags and Drill Expense	145,656	95,974
Refunds and Reimbursements	1,072	226
Supplemental Cost Share Program	4,364	46,682
Terrace Enlargement Cost Share Program	24,617	26,421
Windbreak Cost Share Program	2,133	3,559
Contract Labor	8,400	8,400
Transfers Out	800	-
Total Expenditures	256,358	233,183
Cash Receipts Over (Under) Expenditures	33,224	9,757
Unencumbered Cash - Beginning	287,120	320,344
Unencumbered Cash - Ending	\$ 320,344	330,101